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Special Message by Governor James R. Thompson

to the 85th General Assembly

Illinois House Chambers

Springfield, Illinois

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Mr. President, Leaders and Members of the General Assembly, Lieutenant Governor Ryan and my fellow constitutional officers, Mayor Sawyer, and my fellow citizens.

On February 25th -- more than three months ago -- I stood in this place and presented my budget for next year.

The bottom line of that budget was balanced. It allows for some progress in our efforts to pay our bills on time. It meets some of our needs.

In fiscal terms, this budget was balanced. In human terms, it ran a deep, deep deficit. And we, as a State, as a people, as a General Assembly must do better.

I. We must first pay our debts.

A new and workable budget is one that first pays our old debts. That is the right thing to do; that is the honorable thing to do. Refusing to honor bills for services provided last year imposes a tax increase on those least able to pay. Refusing to refund taxes overpaid and spending that money for other things is theft. Moreover, paying our bills now frees that portion of the budget for program growth next year and into the future without having to raise taxes again.

I hope we have learned the folly of attempting to fund popular programs with money that isn't there - it has been a painful lesson for our citizens and for us.

For example, in 1987 you passed and I signed a bill to provide comprehensive health insurance protection for Illinoisans who were overwhelmed with disease and medical bills. That program was supposed to start on July 1st of this year. It will not. I said on March 18th of this year that there was no money to pay for it, and on April 14th of this year you agreed. Who did that help?

For example, in 1987 you passed a budget with $4.17 billion for education. In July I vetoed $233 million because the money wasn't there. In December you sustained $211 million of those vetoes because the money really wasn't there. Who did that help?

I hope we have learned the folly of attempting to fund some programs by underfunding others.

For example, in June of 1987, I warned that we were seriously underfunding Medicaid in an attempt to provide dollars for education that were not there. That warning was ignored. In April of this year we stopped processing for payment Medicaid bills.

Sister Sheila Lyne, the President of Mercy Hospital in Chicago, said it two days ago. She said: "Where does this leave the indigent patient needing medical treatment? Out in the cold, thanks to the indifference of the state Legislature.

"It is immoral that the Illinois General Assembly allows this preventable situation to occur every year. *** We are subsidizing state government to help politicians get elected while hospitals are dying and the indigent are left without care. That is not fair. That is not right."

I hope we have learned the folly of trying to fund programs by blindly cutting others through formulas that show no priority of thought or heart. Last week, for example, the House passed a budget that cut more than $320,000 from educational programs for the blind and the deaf in order to give it to kids who could hear and who could see!

In short, we must stop disinvesting others and invest in ourselves -- as any business would do -- as any family would do. And that requires an increase in the Illinois income tax. There is no other way.

II. Taxes and the Business Climate

We must understand that the specific tax increase I propose today will not harm our business climate.

Did any business leave Indiana last year when the tax rate went from 2.5 percent to 3.4 percent? No. And today, Indiana's unemployment rate is 5.8 percent, lower than Illinois.

In fact, many states -- our competitors for jobs -- have higher tax rates and lower unemployment rates than Illinois.

New York's income tax goes to 8.4 percent and the unemployment rate in New York is 4.2 percent, lower than Illinois.

New Jersey: taxes up to 3.5 percent and their unemployment rate is 3.7 percent, lower than Illinois.

Delaware: taxes up to 7.7 percent and their unemployment rate is 3.6 percent, lower than Illinois.

Massachusetts: taxes at 5 percent and their unemployment rate is 2.8 percent, lower than Illinois.

Georgia: taxes up to 6 percent and their unemployment rate is 5.8 percent, lower than Illinois.

Minnesota: taxes up to 8 percent and their unemployment is 4.8 percent, lower than Illinois.

Iowa, next door: taxes up to 13 percent and their unemployment rate is 5.7 percent, lower than Illinois.

No, the tax increase I propose today will not be a blow to our business climate. But the opposite is true -- refusal to invest in education, child care, retraining and other economic development programs, mental health, environmental protection, law enforcement, agriculture, and much more, will damage our good business climate and make Illinois a far less attractive place to live and do business.

Who says so? Well, the Illinois Manufacturers' Association -- stout champions of a good business climate -- they say so. In supporting an income tax increase for Illinois, they said:

> "Many of the youth in Chicago cannot qualify for the simplest clerical jobs available -- they are illiterate and unemployable ... however, educational problems are not limited to Chicago, but rather are pervasive throughout the State ... Structural changes are needed, and additional funding is essential to make them work. Poor quality education at the "K-12" level, and the related lack of trained, skilled crafts, ... and the poor quality of high school graduates entering the work force, are one of the most important problems facing Illinois manufacturers." They ought to know.

If that is true of the business climate for manufacturers, it is also true of our growing service industries. Speaking in support of a tax increase for 43 of the largest employers in Chicago, Karl Bays of the Civic Committee said:

> "The next generation of workers in this State must be more adequately prepared to meet the challenges of an ever-changing job market if Illinois is to compete successfully in business retention and attraction. Education and economic development go hand in hand."

I've spent a good deal of my time in recent weeks listening to taxpayers, and I've debated the merits of tax increases with many of them. I've heard many pleas for help -- for increased spending for grade schools, high schools, vocational education, community colleges, and universities; for senior nutrition and health needs; for improvements in the prevention of child abuse and neglect; for better care for the mentally ill and for many more real needs across this State.

Unfortunately, there are many more needs than can be addressed in one year with the modest tax increase I propose to you today. My intention is not to offer a "quick fix," but instead give long-term stability to our revenue system, to actually pay for the hundreds of millions of dollars of new programs that you have voted for; that our people need, and of which I approve.

III. Recognizing the need for more revenues

While some of you continue to say you remain unconvinced of the need for new revenue, your votes tell me you are convinced of the need for additional spending. While I was arguing the need for a modest income tax throughout Illinois, you were here passing appropriations bills that attempt to answer those needs. The budget working its way through this General Assembly now is out of balance. If sent to my desk in its present form, I would have to veto at least $250 million from the appropriations -- spending that you believe is warranted and have been willing to support even without the funds to pay for it.

Without new revenues, I will not sign appropriations requiring new spending beyond revenues that are here and that are real.

IV. Leadership

Harry Truman, that plain speaking man, said:

> "A leader has to lead, or otherwise he has no business in politics."

Earlier this year the Republican leader of the Senate, Senator Philip, said this:

> "Contrary to what some Chicago legislators think, Illinois outside of the city of Chicago is not immune to all problems. Downstaters and suburban residents face problems that need to be addressed by state government."

Those were wise and fair words, Senator. And when you were elected the Republican leader of the Senate last year, you said:

> "We (the Senate Republicans) will be here. We'll be a strong, loud minority, but when it gets down to solving problems you know that we'll be here, and we'll try to work things out."

The man elected as the President of the Senate, Senator Rock, said this on February 25th:

> "I for one am prepared to support an increase. I think if people honestly respond to the needs that are out there, they can't help but come to the conclusion that there is simply not enough currently and that we need more money."

And I will add that anyone who has ever heard the words of Philip Rock from one end of this State to another or has seen his name on the door in the school helping those who need help the most have no doubt about where Phil Rock stands.

When he was elected as the Republican leader of the House last year, Representative Daniels said this:

> "My program will include a balanced and equitable reform of the revenue system and the tax reform with an eye towards the future and the needs of our local units of government. It will also include school aid funding and continued education reform and the attention that we must pay for the benefit of our children and our leaders of tomorrow."

Wise and fair words, Mr. Daniels, words that you have repeated throughout the State of Illinois.

And Mr. Speaker, Mr. Speaker, last year, after taking your oath and assuming the Chair of the Speaker of the House of Representatives, representing all 11.5 million people of Illinois, all of us. The speaker in our system is not the majority leader. That's McPike. The Speaker represents everybody, Republicans as well as Democrats -- you spoke of "a need to take steps to improve the human fabric of our State."

"Today," you said, "We see growing numbers of children being raised in settings where economic and social pressures take their parents away for jobs and for other purposes. We see drug and alcohol problems destroying families in all classes of society. Reports of teenage pregnancy, child abuse and domestic violence have become more alarming than at any time in our history." Eloquent words. Ones I echo.

In short, the leaders in this chamber, and the members of this chamber, have said the right things from Rockford to Cairo and within these walls. And now is the time to do the right things. In short, the time has come for this General Assembly to exercise its leadership as the constitution requires. Refusing to pay our bills so that popular programs can be funded is not leadership; cutting the "human fabric" of our State to paper over revenue shortfalls is not leadership; spending based on empty revenue forecasts -- a lick and a promise -- is not leadership. The hopes of the people of Illinois -- all the people of Illinois -- cannot ride on a budget that is little more than a shoeshine and a smile.

Last year I proposed a program of tax increases -- a higher income tax; a lower sales tax, but one expanded to services as well as goods; a higher gasoline tax; higher license plate fees; a tax on non-prescription drugs and a tax on computer software.

That program was not adopted. That was no one's fault but mine. The program was too large and too radical. Because increasing taxes in 1987 was not debated during the campaign of 1986, the program failed and properly so. I didn't clear it with my bosses -- the people of Illinois -- and I have paid a political price.

This is 1988, and the people of Illinois should not continue to be punished for my political shortcomings. I have campaigned for the last year and one-half from one end of the State to another for a simple increase in the State income tax -- which is the lowest in the nation. This is my program -- no one elses -- and I have cleared it with my bosses -- the people of Illinois. And every poll that I have seen from every source says a strong majority of our people agree. The time has come. And much of the business community agrees. And the labor community agrees. And most of the press agrees. And more and more members of this Assembly have told me -- and their constituents -- we agree, and we can do it.

V. A MODEST TAX INCREASE

If we increase the individual income tax rate to 3.5 percent -- a 1 percent increase -- and enact a corresponding increase in the corporate tax to 5.6 percent -- a 1.6 percent increase -- our overdue bills can be paid; we can answer the demand to overhaul the Chicago school system and increase funding to all levels of education in all parts of the State of Illinois; and we can begin to move this State forward.

Many people have told me that they would support a tax increase if a majority of new funding went to education. I propose that after we have paid our bills that we spend 71 percent of all new available tax revenue on education and 29 percent on other human services.

I also propose to reinstate the double income tax exemption for the elderly and the blind -- an exemption removed last year by changes in the federal tax code and a tax savings of $20 million to some of our most deserving citizens.

Local governments would continue to receive one-twelfth of the revenues from an income tax increase, and the $124 million in brand new revenue they would receive under this proposal would ease the pressure to increase local property taxes and in some cases could permit property taxes to be lowered. This is $124 million in property tax relief right at the top.

The remaining $1.125 billion for the General Revenue Fund will allow us to regain the education reform momentum that slowed in Fiscal 87 and was absolutely lost this year when we were forced to cut education spending backwards. This year, we can meet the funding requests put forward by the State Board of Education in the full amount of $437 million, and the Illinois Board of Higher Education in the full amount of $217 million, and we can guarantee additional funding increases for at least the next two years.

We will reform -- we will insist on accountability from -- the Chicago system. You may debate whether it is the worst in the nation, but there is no question it most certainly is among the worst in the nation. Every day that we permit Chicago students to receive an inferior education, we place a heavy obstacle in their path to success, but we also cheat ourselves and our children, who will pay the price in the future.

Why should statewide leaders -- and members of this Assembly elected from downstate -- tell Chicago how to run its schools? The Illinois Manufacturers' Association said it best.

They said: "Chicago is of great value to all of us because it is one of the most important business, educational, transportation, and cultural centers in America, and especially for Illinois. From our point of view, we in the business community cannot sit on our hands while the future of Chicago is being jeopardized by the monumental failures of Chicago schools. We must do what is necessary to turn the system around as quickly as possible."

Without additional funding that can only come from a tax increase, the Chicago schools will not be open this fall. The kids will be the victims, once again. Working parents will be hurt. Teachers will be frustrated. Our words to dropouts to stay in school will ring hollow because all of our children will be forced out of school. And at the end of a long, bitter, debilitating strike a settlement will come out of the hides of the kids, the wallets of the teachers and the pockets of the property taxpayer. And the button which says "Chicago Works" will have a big dent.

Nor will the damage from the failure of an income tax increase be confined to Chicago. Forty-four percent of the downstate districts will lose more than 3,000 teachers, and the threat of higher property taxes or inadequate schools will face the farmer, the homeowner, the businessperson and the struggling elderly.

And without an income tax increase -- and we should say it plainly -- we will begin the process of dismantling what Bob Kustra and Jim Nowlan said yesterday was the finest system of higher education in the world. Unless you believe that second or third best is good enough for Illinois, then you must confront the fact that it will cost more to replace the professors we are losing than to keep them, and it is beyond my comprehension that a generation of Illinoisans, who are the beneficiaries of our higher education system, are willing to deny the same opportunities to their children and their grandchildren.

But we should be clear on what the price of a tax increase is, at least in education. The school system of Chicago must be reformed. The children demand it. The parents demand it. The teachers demand it. The Mayor demands it. The City Council demands it. The Board demands it. The taxpayers demand it. You demand it. And I demand it.

And reform must include -- at a minimum -- greater management control for principals and parents, better teachers and better pay for better teachers, establishment of an oversight authority with substantive powers and a demolition of the Pershing Road bureaucracy that is so big and so bad it can't even run the buses to get the kids to school on time!

This tax proposal allows us to pay our bills to providers of medical care to the poor within 30 days. We can eliminate the $139 million backlog of tax refunds due to small business people whose investments provide most of our new jobs. We can return the State retirement systems to 60 percent of the payout. We can finally begin to provide catastrophic health insurance to our citizens who cannot qualify for coverage from private firms. We can offer relief to the overworked and underappreciated men and women battling daily to ease the suffering of the mentally ill, the abused children, the poverty-stricken, the aging and those addicted to drugs and to alcohol.

In statistical terms, this is a 40 percent increase in the income tax rates. But in the real world it is a modest tax increase because it would be the first permanent increase in 19 years to a tax which is among the lowest income taxes of the nation. It follows more than a decade of tax relief and tax abolition and tax reform in this Administration with your help which has kept more than $4 billion in the pockets of our taxpayers. Because it is based on income, it is the fairest of our taxes. This proposal asks the average family to invest $4 to $5 a week in Illinois in their future, and it is their future and their choice.

By not enacting a tax increase -- by not investing in our future -- we pay a human toll today in lives lost to ignorance, broken families, lawlessness and drug addiction and unemployment.

The business community understands that. They don't want to be saddled with job-seekers stymied by the simplest of job applications. And they don't want to see taxes go even higher in the future to correct the mistakes that we make today.

"Continuance of the current situation threatens manufacturers with declining productivity, high training costs, rising crime and vandalism, and growing uncompetitiveness." Those are the words of the Illinois Manufacturers' Association.

VI. A Brighter Future For Illinois

Here is how I propose spending the additional revenue:

One. After eliminating old bills and the backlog of tax refunds due to our businesses and the backlog for Medicaid payments, I propose earmarking the majority of the new revenues -- 71 percent -- to education, an increase of $437 million for elementary and secondary education and $217 million for higher education. $15 million for retraining adult workers, and $129 million for bringing teachers' pension systems back to 60 percent of payout.

The State Board of Education's budget request stresses three priorities: giving $200 million additional to schools through the State aid formula, fully funding all mandated categorical programs and increased support to education reform initiatives, with an emphasis on at-risk youngsters. About 112,000 of our three- and four-year-olds need early education.

Mr. Speaker, you said when you were sworn in that:

"We have seen ample evidence that funds invested in early learning programs pay a far greater return than dollars aimed at remedial education. I believe we need to increase our investment in that and other areas."

I agree, Mr. Speaker. But nearly 17 months have passed, and we still are serving only 7,000 children in early education with more than 100,000 others waiting for instruction and facing the likelihood that they will begin elementary school behind their classmates. They are going -- not to the head of the class -- but headed instead to remedial classes. With this proposal, we can nearly triple the number we help next year.

Every single school district in Illinois would be guaranteed more State aid than they got this year. We could fully fund -- for the first time in recent memory -- State reimbursements to local districts for more than 20,000 trained personnel serving an increasing number of handicapped children. Fully funding special education means those services will continue on a basis of need, rather than on a financial decision alone; and increased assistance to programs serving students likely to skip or drop out of school means significant savings to the State because high school dropouts have an unemployment rate three times greater than high school graduates.

In higher education, this new revenue would allow our colleges and universities to improve the quality of education, to work with elementary and secondary education in improving instruction in local schools to expand programs that contribute to economic development.

The budget also would provide for a 10 percent average faculty and staff salary increase, pay raises to professionals who have gone without a salary increase for 23 months. We could offer more and larger scholarships to help college students cope with the nearly 25 percent increase in tuition and fees at our public universities in the last two years.

The Department of Commerce and Community Affairs would bolster the industrial training grants program that helped nearly 100 Illinois firms -- including some of our oldest and largest employers -- the training of more than 20,000 workers last year.

Funding for this essential program has not kept pace with the need as our businesses fight to remain competitive, to keep pace with technological changes in manufacturing.

Today, there is no money available for new grants. For several months now, DCCA has been forced to reject applications for I-T-P funding. We have to tell companies -- and their workers -- that we can't help this year but will try to help two years from now.

Those areas of the State which have recently received I-T-P funding as the deal maker to keep industries at home -- like my friend Representative Granberg and others -- are lucky because if a deal comes to your hometown and the make or break is training funds we're out, we're empty, we're gone, we can't do it without your help.

Bottom line -- the truth is that without additional help from this General Assembly, economic development in Illinois will go backward, not forward, at the most critical time in Illinois economic history.

The $85 million increase in the Department of Mental Health and Developmental Disabilities budget would include $60 million to support our 350 community not-for-profit agencies providing direct care -- under the present budget proposal there isn't a penny new for those 350 agencies in every district in this State -- and nearly $25 million for improvements of State DMHDD facilities and increased staff. No longer would we be just one step ahead of decertification by the federal government. Instead, we could turn our attention to regaining a national leadership role in the care for the mentally ill and the developmentally disabled.

And we must do more to help families cope with the demands of developmentally disabled children, and give support to those aging out programs for youngsters and help those with developmental disabilities stay in their own communities.

Mr. Daniels, when you assumed your position as Republican leader, you said: "My program will call for an expanded mental health care for those who are aging out of the existing programs and when their needs are not being met."

Wise and eloquent words but their needs are not being met. And their needs are growing. You were right then, and we need to follow your leadership now.

Climbing caseloads could be lowered for child abuse investigators and caseworkers, giving them the ability to devote more attention to each of their cases. We could finally fund the Family Preservation Act -- a law you passed and I signed calling for intensive services to prevent a family situation from deteriorating into the abuse or neglect requiring children to be placed in foster homes. The Department of Children and Family Services could increase day care services, move faster on counseling victims of abuse and aid community-based youth services.

An additional allocation of $200 million for the Department of Public Aid will bring $137 million in new funds from the federal government. The new spending would allow us to drop the billing cycle to 30 days, improve access to obstetric care to poor women, give recipients the first cost-of-living increase in more than three years, aid domestic violence and homeless shelters, give added financial assistance to hospitals serving the poor and increase rates paid to long term care providers.

Since I last spoke to you, AIDS has killed 141 more Illinoisans. Today, the total stands at 1,851 reported victims, and 973 have died after long debilitating -- expensive to the taxpayer -- illnesses. All that we can be certain about is that tomorrow there will be more and more and more and we will pay. AIDS education must increase, or the costs of tomorrow's epidemic will be literally and fiscally unbearable.

We need to reduce our high infant mortality rate by expanding services to the highest priority neighborhoods in Chicago and North Chicago and Alton and Joliet and Peoria and Springfield.

We need to combat the growing, yet hidden, crime of abuse of our elderly and restore crucial community services and pay salaries high enough to attract the home care workers needed to keep seniors citizens in their homes and out of institutions.

We need to increase services for persons with disabilities -- people waiting for us to help them learn the skills needed to find jobs and become independent, taxpaying, contributing citizens in their communities.

We need to make our parole system whole again, open the Canton and Mount Sterling prisons, add beds to Dixon and add much-needed space for juveniles in the system. We need to restore the midnight shift of State Police on Interstate highways which now go unguarded and just say "no" to the narcotics sellers instead of the law enforcement agents we ask to catch them.

We need to open our new and expanded sites and improve natural resources management programs and fund other programs supported by Partners in Conservation.

These are some of our needs but not all. As Senator Philip said:

> "The rapid growth of the collar counties has created serious transportation problems. Adequate road systems, both in the suburban and downstate regions, are not luxuries, but necessities that are crucial to local and state economies."

He was right then. He is even more right now.

As we meet here, there is no proposal from any source to help alleviate congestion on the streets and highways of urban and suburban Illinois, congestion that could choke economic growth in Illinois if left unchecked.

The R-T-A has identified a need to spend $6 billion on renovation of its infrastructure by the year 2000. Parts of the system are 85 to 100 years old and crumbling. Bridges, switching systems and tracks need to be replaced. But capital improvements for the system will be cut back at the end of this month because the State no longer can provide $50 million annually to match federal transit funds, which we will loss to other states.

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Our road system statewide includes more than 4,000 miles of road and 1,000 bridges that cannot be repaired in the next five years. Illinois has been more successful than any other state in the pursuit of federal highway funds, but we can't depend on a federal rescue. The facts are Illinois will be receiving $150 million less in federal road repair funds than we received on the average of each of the past five years.

And we must answer these needs soon. We should be answering these needs from Rockford to Cairo now. But, my first priority must be education, economic development, human services that depend upon passage of this income tax proposal. I will not recommend a revenue package for highways and mass transit until you act on a tax plan for children, for people with disabilities, for the mentally ill, for seniors.

There are those in this body, and some among our people, who have urged us to "just say no" to taxes. They have threatened us with political retaliation and electoral defeat. I accept their challenge, for far worse is the danger that the "no" in "just say no" becomes the "nothing" in the kind of "do-nothing" legislative body that Harry Truman fought and ousted 40 years ago when -- put to the challenge -- their words of response were empty and hollow.

I think it is time to say "no" to poverty. I think it is time to say "no" to illiteracy. I think it is time to say "no" to ignorance. I think it is time to say "no" to abuse. I think it is time to say "no" to unemployment. I think it is time to say "no" to the criminals, and the gangs, and the narcotic peddlers. I think it is time to say "no" to the darkness of an impaired mind. I think it is time to say "no" to the imprisonment of an impaired body.

Mr. Speaker, when you were sworn in five years ago you said, "The time has come ... to lay aside partisan differences, to lay aside partisan politics.

"We must be prepared," you said, "to accept the Governor's agenda" or make it better.

"That is our responsibility," you said. "We are prepared to take on what may be considered the greatest responsibility of this decade, the responsibility to, once again, give faith and hope and confidence in our people that tomorrow will be better than today."

And to that, Mr. Speaker, and ladies and gentlemen of this Assembly, I say "Amen."

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